Before the
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

In the matter of

Application by BellSouth Corporation,	)	
BellSouth Telecommunications, Inc.,	)	
and BellSouth Long Distance, Inc. for	)	**CC Docket No. 97-231**
Provision of In-Region, InterLATA	)	
Services in Louisiana	)	

AFFIDAVIT OF
PATRICIA A. McFARLAND
ON BEHALF OF AT&T CORP.

Patricia A. McFarland, being first duly sworn upon oath, hereby deposes and states as follows:

1. My name is Patricia A. McFarland. My business address is 1200 Peachtree Street, N.E., Suite 5070, Atlanta, Georgia 30309. I am employed by AT&T Corp. ("AT&T") as Manager-Regulatory Chief Financial Officer ("RCFO") Organization. As such, I am responsible for AT&T regulatory financial activities in a number of states and for a number of subject-matter areas, such as local exchange carrier ("LEC") cost analysis functions.

2. I have a degree in Business Administration with a concentration in Accounting from Oglethorpe University in Atlanta, Georgia. In 1968, I began my career at Pacific Telephone Company in San Francisco where I held a variety of Operator Services staff and line positions. I primarily performed payroll, budgeting, and scheduling functions. At

divestiture, I transferred to AT&T and assumed responsibility for LEC billing in conjunction with California Operator Services Shared Network Facilities Agreements ("SNFA"). In 1985, I accepted the position of Assistant Manager-Accounting Regulatory Support responsible for AT&T financial regulatory matters for Oregon and Washington. In May 1991, I transferred to my present organization in Atlanta, Georgia. Initially, I was responsible for AT&T financial regulatory matters for the South Central states. In 1995, I accepted my current position as Manager-RCFO in Atlanta.

3. The purpose of my affidavit is to show that BellSouth has not satisfied its burden of proof with respect to the resale requirements of the Act and competitive checklist. First, BellSouth does not allow resale of the "Contract Service Arrangements" ("CSAs") it offers in Louisiana. BellSouth's SGAT expressly excludes some CSAs entirely from resale, and the remaining CSAs are excluded from the SGAT's wholesale rate provisions. These exclusions violate the Commission's prior holdings that all services offered to end-users, including contract services, must be offered for resale at wholesale rates. Moreover, BellSouth has taken the position that each CSA is not available to any customer other than the one for which it was initially developed. In other words, BellSouth prohibits a CLEC not only from aggregating the traffic of its end-user customers to qualify for the CSA, but also from reselling the CSA to a customer who could individually qualify for the offering. These

restrictions are presumptively unreasonable under the Act and the Commission's Rules, and BellSouth has failed to rebut that presumption.

4. Second, BellSouth may seek to impose in Louisiana, as it has elsewhere, a non-recurring charge for customer migration to a reseller which is grossly in excess of forward-looking costs, thus directly violating the Commission's ruling that resale-related, non-recurring charges having no retail equivalent must be TELRIC-based.

I. THE ROLE OF RESALE IN BRINGING COMPETITION TO LOCAL EXCHANGE MARKETS

5. Resale of local telecommunications services is one of the three means of entry made possible by the Act. Market entry via resale is generally the lowest cost and lowest risk market entry strategy available to CLECs under the Act, thus permitting rapid start-up. As a CLEC gains presence in the market from its resale operations, it will have increasing incentives to purchase unbundled network elements from the incumbent carrier and to invest in its own network facilities, enabling the CLEC to compete more vigorously in the local market by providing new and innovative services at lower costs. The history of interexchange competition, in which some competitors that began almost exclusively with resale are now substantially facilities-based, is a dramatic and highly relevant example of how this process can work.

II. PRECONDITIONS TO SUCCESSFUL RESALE ENTRY AND THE APPLICABLE LEGAL STANDARDS

A. The Act

6. As Congress recognized, for resale to be an effective entry strategy for CLECs, an ILEC must "offer for resale at wholesale rates **any** telecommunications service that [it] provides at retail." 47 U.S.C. § 251(c)(4)(A) (emphasis added). Hence, no category of telecommunications service is exempt from the Act's resale pricing requirements. Section 251(c)(4)(B) also precludes ILECs such as BellSouth from imposing "unreasonable or discriminatory conditions or limitations on, the resale of such telecommunications service."

B. The Local Competition Order

7. With respect to restrictions on services subject to resale, the Commission squarely rejected arguments by BellSouth and others that it should "prohibit[ ] resale of contract service arrangements" altogether. Comments of BellSouth filed in Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, CC Docket No. 96-98 (May 16, 1996). As the Commission found, Section 251(c)(4) of the Act

> makes no exception for promotional or discounted offerings, including contract and other customer-specific offerings. We therefore conclude that no basis exists for creating a general exemption from the wholesale requirement for all promotional or discount service offerings made by incumbent LECs. A contrary result would permit incumbent LECs to avoid the statutory resale obligation by shifting their customers to nonstandard offerings, thereby eviscerating the resale provisions of the 1996 Act.

Id. at ¶ 948 (emphasis added). The Commission also rejected arguments "that the offerings under section 251(c)(4) should not apply to volume-based discounts," and concluded that "[i]f a service is sold to end users, it is a retail service, even if it is priced as a volume-based discount off the price of another retail service." Local Competition Order at ¶ 951.

C. Subsequent Decisions

8. The Eighth Circuit affirmed the Commission's rules with regard to resale restrictions -- in particular, the requirement that "an [I]LEC shall not impose restrictions on the resale by a requesting carrier [i.e., a CLEC] of telecommunications services." 47 C.F.R. § 51.613. See Iowa Utilities Bd. v. FCC, 120 F.3d. 753, 819 (8th Cir. 1997). Although certain exceptions to that requirement are set forth in the Commission's regulations, no such exceptions apply to contract service arrangements. In affirming the Commission's rules on resale restrictions, the Eighth Circuit expressly rejected objections posed by BellSouth and others "to the FCC's determination that discounted and promotional offerings are 'telecommunication service[s]' that are subject to resale requirements of subsection 251(c)(4)." Id. The Eighth Circuit also held that "the FCC has jurisdiction to issue these particular rules and . . . its determinations are reasonable interpretations of the Act." Id.

9. In its recent order preempting certain provisions of Texas law, the Commission reaffirmed its holding in the Local Competition Order that "restrictions on resale are

presumptively unreasonable and violative of Section 251(c)(4)(B) of the Act." In the Matter of Petitions for Declaratory Ruling and/or Preemption of Certain Provisions of the Public Utility Regulatory Act of 1995, CCBPol 96-13, Memorandum Opinion and Order released October 1, 1997, at ¶ 223 ("Texas Preemption Order"). Based on SBC's failure to rebut the presumption, the Commission then preempted SBC's continuous property restriction as an unreasonable or discriminatory limitation on resale contrary to the Act and its implementing regulations. Id.

III. BELLSOUTH'S REFUSAL TO OFFER CONTRACT SERVICE ARRANGEMENTS AT WHOLESALE RATES, OR FOR RESALE TO OTHER CUSTOMERS

10. In defiance of the Act and the decisions of the Commission and the Eighth Circuit, BellSouth's SGAT nonetheless provides that, unlike other telecommunications services offered by BellSouth, CSAs are not available at wholesale discount rates:

> B. Discounts. Retail services are available at discounts as ordered by the Commission . . . . Discounts apply to intrastate tariffed service prices except that, pursuant to Commission directive, **discounts do not apply** to the following services:
>
> > 1. Contract Service Arrangements. BellSouth contract service arrangements entered into after January 28, 1997 are available for resale only at the same rates, terms and conditions offered to BellSouth end users.

SGAT § XIV.B (emphasis added) (Sept. 9, 1997). In his affidavit filed with BellSouth's application, Mr. Varner confirms that, under BellSouth's SGAT, "the wholesale discount will not apply" to CSAs. Varner Aff. at ¶ 184.

11. BellSouth's policy on resale of CSAs, reflected in its SGAT, violates the Commission's rulings in four ways: First, CSAs existing before January 28, 1997, are flatly excluded from any resale obligation. Second, no BellSouth CSA is subject to the wholesale discount. Third, no BellSouth CSA -- even those signed after January 28, 1997 -- is available for resale to any other end user or any aggregated group of end users.[1] Finally, no BellSouth CSA in Louisiana is available in any form for public inspection, which both raises practical problems for CLECs attempting to compete for large business customers using resold BellSouth services and increases the chance for BellSouth to use CSAs to avoid its resale obligations.

12. In the AT&T arbitration proceeding, BellSouth urged the Louisiana PSC ("LPSC") to exempt entirely from resale all CSAs that it reaches with its customers. See BellSouth Post-Hearing Brief, at 8 (Dec. 23, 1996) (Tab 174 of App. C-2 to BellSouth's Application). Although the LPSC rejected this extreme position in part, it nonetheless held that "all BellSouth Contract Service Agreements which are in place as of [January 29, 1997,]

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[1] BellSouth apparently believes that this restriction is incorporated in the SGAT through the language providing that CSAs "are available for resale only at the same rates, terms and conditions offered to BellSouth end users." AT&T has advised BellSouth that it understands BellSouth will not make CSAs available for resale to other customers, and requested BellSouth to inform AT&T if this understanding were incorrect. BellSouth has not denied this interpretation of its position and has conceded that AT&T's interpretation of similar language in its SGAT for South Carolina is correct. Reply Brief of BellSouth, CC Docket 97-208, at 62 (Nov. 14, 1997).

the effective date of this Order[,] shall be exempt from mandatory resale." LPSC AT&T Arbitration Order U-22145, at 4 (Jan. 15, 1997) (Tab 180 of App. C-2 to BellSouth's Application) (emphasis added). The LPSC gave no explanation for its decision to withdraw an entire category of service from the Act's resale obligation -- a decision in direct conflict with the Act and with this Commission's ruling that makes clear that the resale obligation applies to "any telecommunications service," including "discount service offerings." This loophole allows BellSouth a head start on competition: all customers it serves through CSAs signed before the passage of the Act and for a full eleven months after the passage of the Act are effectively sealed off from competition by CLECs through the use of resale.

13. For BellSouth CSAs signed after January 27, 1997, the LPSC found they were subject to resale, but "at no discount." LPSC AT&T Arbitration Order, at 4. As this Commission recognized when it held that ILECs could not exclude volume-based discount offerings from resale, this policy just as effectively prevents CLECs from competing as does a flat ban on resale. Because a CLEC incurs its own costs in reselling BellSouth's services, no CLEC can compete with a BellSouth CSA on a resale basis without a discount reflecting the costs that BellSouth reasonably could avoid. Without such a discount, the CLEC bears its own "marketing, billing, collection, and other costs" (§ 252(d)(3)), as well as the ILECs' corresponding marketing, billing, and other costs for the service.

14. BellSouth also refuses to permit CLECs to purchase any CSA at the retail rate and resell it to customers other than the one for which it was developed. In its brief, BellSouth admits that its approach is to "restrict[] the resale of CSAs to the end user for whom the CSA was established." BellSouth Brief at 67 n.43. Hence, not only would a CLEC have to buy CSAs at the same retail prices BellSouth charges to its customers, it could only resell a particular CSA to the customers that had already subscribed to it, and not to other customers. BellSouth itself is obviously subject to no such restriction; it is free to offer the same terms and conditions embodied in a particular CSA to any customer seeking such service. Hence, BellSouth's imposition of such a restriction on CLECs is clearly a "discriminatory condition[ ]" on the resale of telecommunications services in direct violation of Section 251(c)(4)(B) of the Act.

15. An important practical consequence of BellSouth's restriction is that CSAs, whether discounted or not, are effectively unmarketable to anyone. They cannot be marketed to new customers who individually could satisfy the applicable terms and conditions, and they cannot be marketed to groups of new customers who, in the aggregate, could satisfy those terms and conditions. This is contrary not only to Commission Rule 51.613 but also to the Commission's Texas Preemption Order preempting enforcement of a "continuous property restriction" on the resale of centrex service on the grounds that this restriction violates Section

253(a) of the Act. While noting that the restriction "does not prohibit outright competing carriers from reselling . . . centrex services," the Commission found that

> enforcement of the provision effectively precludes new entrants from providing competitive centrex services through resale due to their inability to aggregate small users into a large group, and thereby offer rates, services and features that are otherwise unavailable to a single user.

Id. at ¶ 220. The Commission concluded that such enforcement "'has the effect' of prohibiting the ability of any entity to provide a telecommunications service . . . through resale in violation of section 253(a) of the Act standing alone." Id. at ¶ 220. The Commission also concluded that such enforcement "constitutes an 'unreasonable or discriminatory limitation' on resale in violation of section 251(c)(4)(B) of the Act, and our implementing regulations." Id. at ¶ 218.

16. The only group to which BellSouth permits the marketing of CSAs -- existing BellSouth CSA customers -- is also a group with disincentives to switch local carriers. This follows primarily from the lack of a wholesale discount, but also from the fact that BellSouth's CSAs typically contain substantial cancellation penalties. For example, BellSouth's three-year agreement with NationsBank, which was filed with the South Carolina PSC, imposes termination penalties of at least $3 million for the first year and at least $2 million for the second year. Hence, a CLEC and a signatory of a CSA could do business with one another only at a substantial cost to both parties -- without the availability of the wholesale discount

available for the resale of other BellSouth telecommunications services. The CLEC would have to resell CSA services at a loss, and the CSA signatory would have to pay a substantial penalty for departing from BellSouth.[2]

17. Finally, BellSouth, again with the approval of the LPSC, also refuses even to disclose, in any form, the CSAs that it has entered into with customers, unless the customer "requests and/or consents to the disclosure." See LPSC AT&T Arbitration Second Order U-22145-A, at 4 (June 10, 1997) (Tab 191 of App. C-2 to BellSouth's Application). Even if all of the other resale restrictions discussed above were lifted, CSAs would still not be truly available to CLECs for resale because of this restriction. First and foremost, of course, unless AT&T and other CLECs know about the CSAs, they will be unable to resell them.[3] Second, even if CLECs could determine through other means which customers are being served with

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[2] Indeed, on November 10, 1997, the LPSC ALJ issued a set of recommendations for BellSouth's Louisiana resale tariff, including a recommendation to remove the tariff provision permitting these termination penalties. Proposed Recommendation, Docket U-22091, at 3, 38 (Nov. 10, 1997). The ALJ found that the provision"deter[red] competition, encourage[d] anti-competitive behavior," and was "an unreasonable condition on the end user's ability to switch from BellSouth." Id. at 38. The LPSC has not yet acted on any of the ALJ's recommendations.

[3] For many CSAs, CLECs will have no information. CLECs may uncover some information about some CSAs through contacts with customers' personnel. However, any information CLECs compile in this manner is both more costly to obtain and more likely to be incomplete than the perfect information that BellSouth has, which necessarily creates a "discriminatory conditio[n]" that should be unlawful under the Act.

CSAs, the lack of public disclosure of CSAs creates additional barriers to reselling CSAs to a new end user or group of end users. Thus, even if BellSouth were to permit resale to new end users, when a BellSouth customer refuses to consent to disclosure of its CSA, that CSA is unknown to CLECs and thus unavailable for resale. Absent public disclosure of CSAs, moreover, the risk that ILECs may attempt "to shift their customers to nonstandard offerings," like CSAs, to "avoid the statutory resale obligation," Local Competition Order, at ¶ 948, will substantially increase.[4]

18. BellSouth's defense of its resale restriction on CSAs has, for the most part, already been rejected by this Commission. Although BellSouth raises a few new arguments in this Application, they are also without merit, and certainly do not rebut the strong presumption this Commission has announced against permitting any resale restriction.

19. The primary justification offered by BellSouth for the exclusion of CSAs from the wholesale discount is that the LPSC's arbitration order is "determinative." See BellSouth

[4] Indeed, as I discuss below, based on information regarding CSAs filed and disclosed in other states, there is reason to believe that BellSouth is offering CSAs, even absent an actual "competitive alternative," and is in fact shifting large customers to CSAs to prevent CLECs from competing with BellSouth.

Brief at 67.[5] The LPSC adopted BellSouth's arguments that CSAs "are, in most cases, priced below standard tariffed rates" and are "already discounted." LPSC AT&T Arbitration Order, at 4. Of course, those arguments are the same arguments that this Commission expressly rejected in the Local Competition Order as being inconsistent with Section 251(c)(4) of the Act. See Local Competition Order, at ¶¶ 948-53.

20. In this regard, it is important to note that BellSouth offered no evidence to the LPSC in the arbitration or compliance proceeding, or with its application to this Commission, that there are no avoidable costs associated with resold CSAs. In fact, a reasonable incumbent

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[5] BellSouth has never contended that the services offered through CSAs are not subject to the resale requirement of Section 251(c)(4)(A); to the contrary, they are clearly telecommunications services within the meaning of § 153(46) of the Act and are "provide[d] at retail to subscribers who are not telecommunications carriers." Because BellSouth has refused to make its CSAs in Louisiana publicly available, I can only attempt to determine what services are in fact resold in Louisiana through CSAs by examining CSAs filed in other jurisdictions. My examination of the CSAs BellSouth filed in South Carolina indicates that many of those CSAs in fact include telecommunications services that are provided throughout BellSouth's region, including Louisiana. For example, BellSouth's CSA with General Electric in South Carolina, is a "customized offering of various local and intraLATA services purchased by GE from BellSouth . . . in the states of Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina and Tennessee." See Customized Telecommunications Service ("CTS") Agreement, BellSouth and General Electric, Tariff 97-13 (SC PSC) (emphasis added). The services contained in the agreement include basic business service, ISDN business services, and Mega Link services. Id. BellSouth's agreement with NationsBank, which likewise applies on a region-wide basis, includes basic business services and PBX trunks. See CTS Agreement, BellSouth and NationsBank, Tariff 97-110 (SC PSC, filed March 18, 1997). There is no denying that CSAs in fact offer "telecommunications services."

clearly would avoid substantial "marketing, billing, collection, and other costs" (§ 252(d)(3)) if a competitor resold one of its CSAs. For example, the incumbent LEC would avoid the costs it would otherwise incur in individually negotiating with particular end-users, identifying the end-user's needs and matching them with available CSAs, and in billing and collecting from that end-user. Indeed, the avoided costs with individually negotiated CSAs might well require a higher discount because certain costs, such as those associated with the special billing arrangements often required by high-volume end-users, are typically quite substantial. It is therefore clear beyond question that BellSouth will avoid costs when CLECs resell CSAs. Because BellSouth presented no evidence to the contrary -- and because the LPSC did not find that there were no avoidable costs associated with CSAs -- there is no basis for refusing to apply any discount to CSAs, particularly in light of this Commission's presumption against any resale restriction.

21. BellSouth's new arguments in favor of its resale restrictions are also meritless. BellSouth now defends the restrictions on the ground that they enable it to meet competition and thereby to retain customers and the "contribution to total cost recovery that they represent." BellSouth Brief at 28; see Varner Reply Aff. (CC Docket 97-208), ¶¶ 41-42, 44-45.

22. BellSouth's argument is entirely misplaced, however, because of the pro-competitive intent of the Act, which allows new entrants to offer competitive alternatives in the local market by requiring ILECs to offer their services at a wholesale discount. These provisions would be eviscerated if a LEC could refuse to comply with them simply by citing to the very competition that they intended to foster. That is why the Act provides that all LEC retail services, including BellSouth's CSAs, must be available for resale at wholesale rates computed under the statutory avoided cost standard. That is also why the Commission's rules bar restrictions on the customers to whom CSAs and other services can be resold where, as here, CSAs are concededly offered at rates that cover all BellSouth's incremental costs of serving the customers and that make a contribution to its total cost recovery.

23. Further, BellSouth's belief that CSAs are needed to meet competition would not justify its refusal to provide CSAs for resale at a wholesale rate. When an incumbent LEC customer is lost to a reseller who has an avoided cost discount, the incumbent LEC receives the same net revenues -- and the same contribution to total costs -- as when the LEC provides the services. That is because the wholesale rate is BellSouth's retail rate minus the costs it can reasonably avoid when it acts only as a wholesaler.

24. Beyond that, acceptance of BellSouth's position would permit it to evade the Act's resale requirements at will and in its own unfettered discretion. The reality is that the

SGAT provides no mechanism to confine CSAs to customers who face competitive alternatives, and BellSouth could immunize any customer from competition from resold services under § 251(c)(4) by merely declaring that the customer faces competition and developing a CSA for it. That is confirmed by the facts here. For example, BellSouth has not provided evidence to support its claim that CSAs "only exist in competitive situations," and in fact there are a multitude of reasons to doubt this claim.[6] Given BellSouth's refusal to disclose its CSAs in Louisiana, it cannot possibly show (and it has not claimed to show) that each of the CSAs it has signed was in fact issued "only . . . where 'there is a reasonable potential for economic bypass of BellSouth's services' such that a competitive alternative is available to the end user customer," as its tariffs require. BellSouth Brief at 66 (quoting BellSouth tariffs). Indeed, the existing evidence indicates that, to the contrary, this tariff condition is not being met. Based on the CSAs filed in South Carolina, BellSouth is offering with CSAs basic local services, including basic business local exchange service (see supra note 5), that are not subject to local competition. Further, while BellSouth has not shown that any of the multitudes of CSAs it has signed were in fact necessary to respond to an actual, viable competitive offering, BellSouth's claim is that it can develop a CSA whenever there is "a reasonable potential" for bypass -- which will generally be the case when the 1996 Act is implemented. These factors

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[6] Indeed, BellSouth's witness Mr. Varner's attempt to prove that CSAs exist in response to competition faced by ILECs is supported only by the patently circular statement that "since such contracts only exist in competitive situations, their existence demonstrates the existence of competition for various business customers." Varner Reply Aff., ¶ 45 (CC Docket 97-208).

dramatically underscore why this Commission found that CSAs must be available at the wholesale discount -- to prevent ILECs, like BellSouth, from using CSAs to evade the resale obligations of the Act.

25. Indeed, if there were any possible doubt that the sole purpose of these restrictions is to enable BellSouth to insulate substantial portions of its markets from resale competition, such doubt would be dispelled by BellSouth's conduct. In other states in which CSAs are publicly disclosed, BellSouth has increased dramatically the number of customers it has locked up with CSAs since the passage of the Act. In 1994 and 1995, prior to the advent of the Act, BellSouth filed with the South Carolina Public Service Commission only 47 and 41 CSAs respectively. In 1996, with the advent of the Act, BellSouth filed 66 CSAs in South Carolina. And as of September 30, 1997, BellSouth has filed 141 CSAs in South Carolina, more than twice as many it did in all of 1996. Although BellSouth's refusal to disclose its CSAs in Louisiana makes it impossible to determine whether it is engaging in similar conduct there, given that most CSAs apply across BellSouth's service region, that is almost certainly true.

26. Since the Act became effective, BellSouth has locked up minimum revenue commitments from its customers through CSAs that will generate almost $300,000,000 over the next few years. The table included with my affidavit as Attachment 1 lists 45 of the

largest CSAs obtained by BellSouth in South Carolina and elsewhere in its region, including agreements with various companies for commitments of $35 million over 5 years, $38 million over 3 years, $47 million over 3 years and $12 million over 2 years.[7] Through its restrictions on CSAs, BellSouth has effectively precluded competition for this revenue in its entirety.[8] Moreover, while BellSouth continues to lock in new and lucrative customers, it is preventing CLECs from using the existing CSAs to attract new customers.

IV. BELLSOUTH MAY SEEK TO IMPOSE A NON-RECURRING CHARGE ON RESELLERS RESELLING CLECs SIGNIFICANTLY IN EXCESS OF TELRIC FOR CUSTOMER MIGRATION

27. In its Ameritech Michigan Order, the Commission noted the Act's requirement that "[n]on-recurring charges associated with resale that have no retail equivalent . . . should be based on forward-looking economic costs" -- i.e., TELRIC. Id. at ¶ 296 n.752. Hence, any non-recurring charge imposed by BellSouth for a customer's change from existing

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[7] The $300 million in revenues likely understates the actual gains to BellSouth from CSAs; it represents only the minimum commitments in 47 CSAs. Those CSAs provide incentives for customers who exceed the minimum usage, and thus actual revenues will be higher. Moreover, the remaining CSAs may not impose minimum revenue commitments on the customer, but nonetheless provide additional significant revenue beyond the $300 million.

[8] While many of these CSAs contain provisions that allow the customer to defect to a competitor if BellSouth fails to match a bona fide competitive offer with lower rates, BellSouth's current resale restrictions, if continued, will prevent any CSA customer from ever being able to invoke those clauses. Without a proper wholesale discount that applies to all CSAs, no CLEC will be able to make a competitive offer, and those customers will remain with BellSouth.

BellSouth local service to a CLEC's local service via resale (customer migration) should be based on TELRIC pricing principles, because there is no comparable retail rate. AT&T calculates that the incremental forward-looking cost associated with such a customer migration is no more than $.23 per individual order.

28. In Louisiana, BellSouth has not yet proposed a rate for the migration of existing BellSouth customers to a CLEC, and its SGAT is silent on this issue. In Georgia, however, where AT&T is receiving bills for the resale of BellSouth local service, BellSouth is imposing a New Installation non-recurring charge for migration service requests of approximately $33.[9] AT&T expects that BellSouth will seek to impose such a charge in a similar amount in Louisiana, even though such "New Installation" charges traditionally apply only to new service connections and premises work (if needed), not to the simple software change associated with a customer migration service request. Indeed, the activities of simply migrating a customer's existing service to a CLEC are analogous to the PIC charge (the act of changing long distance service providers) in BellSouth's Interstate Access tariff, which is currently set at $1.49 per change. In evaluating BellSouth's application, the Commission should consider the non-recurring charge for migration of service applicable in BellSouth's region and request BellSouth to confirm that it will not apply a similar charge in Louisiana.

[9] The charge that BellSouth has imposed in Georgia is based on the retail non-recurring cost for new installations set forth in BellSouth's tariff less the applicable wholesale discount.

FCC DOCKET CC NO. 97-231
AFFIDAVIT OF PATRICIA A. McFARLAND

I declare under penalty of perjury that the foregoing is true and accurate to the best of my knowledge and belief.

Executed on November 19, 1997

Patricia A. McFarland

SUBSCRIBED AND SWORN BEFORE ME this 19th day of November, 1997.

Notary Public

My Commission Expires:

MY COMMISSION EXPIRES
JANUARY 29, 2000

FCC DOCKET CC NO. 97-231
AFFIDAVIT OF PATRICIA A. McFARLAND

ATTACHMENT 1

FCC DOCKET CC NO. 97-231
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PROPRIETARY

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AT&T EXHIBIT J

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